

MONTANA Air Service:



December 12, 2006



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PLANNERS
ECONOMISTS

Wilbur Smith Associates

Opportunities and
Challenges



- ✈ Introductions
- ✈ Study Purpose
- ✈ Tasks
- ✈ Results

Agenda



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Study Team Members

Provide information to understand the sensitivity of changes in air service and the positive and negative impact on MT's economic health.

Identify initiatives to achieve the goal of improved and expanded air service.

Study Purpose



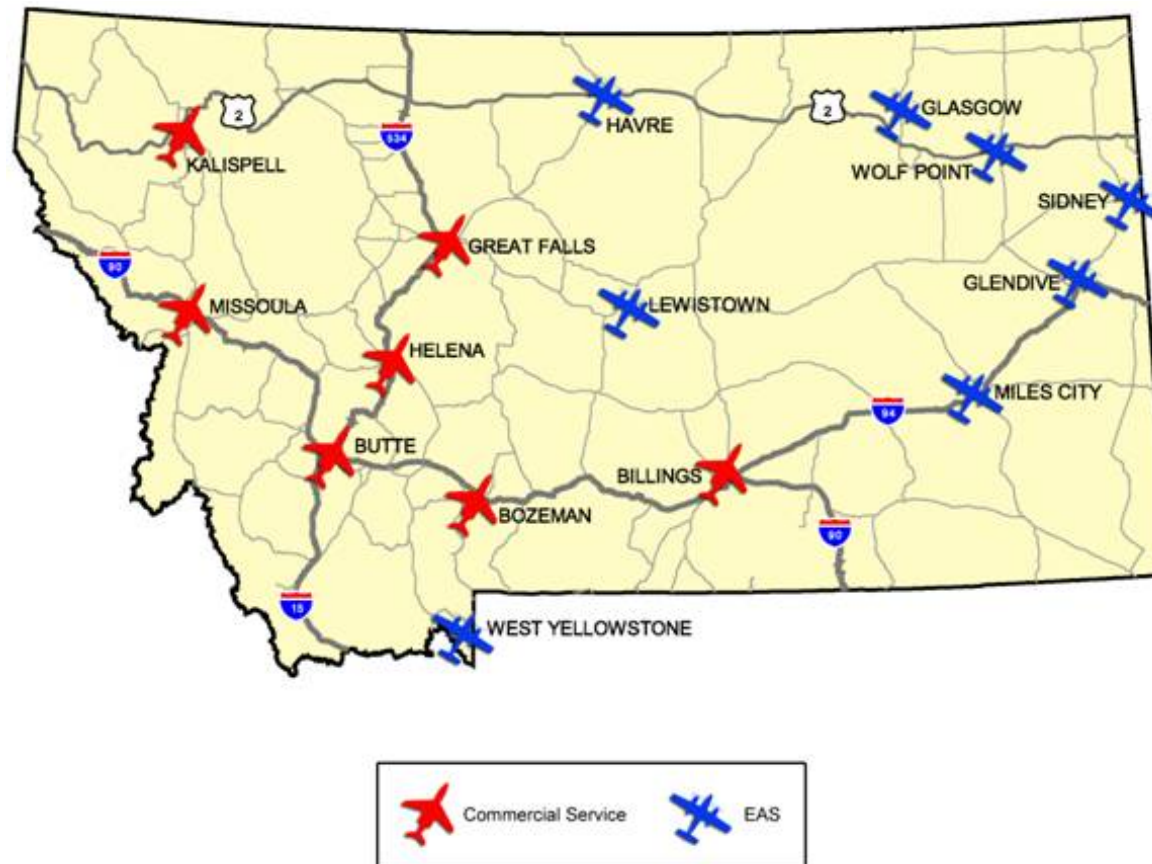
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- ✈ Review Montana's Air Service
- ✈ National and Montana-Specific Trends
- ✈ Impact of Federal Initiatives
- ✈ Air Service Opportunities and Challenges
- ✈ Airport Infrastructure & Intermodal Needs
- ✈ State Marketing Strategy

- ✈ Air service has continued to decline in some markets, while others have seen growth
- ✈ 15 commercial airports, 8 are EAS
- ✈ 8 airports serving air cargo
- ✈ Changing seat/carrier structure
- ✈ New carriers & routes since 1994

Air Service Overview



Montana's Commercial Airports

MONTANA Air Service

	Alaska/ Horizon	Allegiant	US Airways	Big Sky	Delta	Frontier	Northwest	United
Billings	X	X		X	X	X	X	X
Bozeman	X			X	X		X	X
Butte	X				X			
Glasgow				X				
Glendive				X				
Great Falls	X				X		X	X
Havre				X				
Helena	X			X	X		X	
Kalispell	X		X		X		X	
Lewistown				X				
Miles City				X				
Missoula	X	X		X	X		X	X
Sidney				X				
West Yellowstone					X			
Wolf Point				X				

Airlines Serving Montana (Sept 06)



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- ✈ Carrier consolidation and bankruptcies
- ✈ Legacy carrier route restructuring and changes to their operating model
- ✈ High cost of fuel
- ✈ Regional carrier absorption by larger carriers
- ✈ Regional jet aircraft introduction and increasing use
- ✈ Declining yields and revenues

Industry Trends

MONTANA Air Service

Category									% Chg.	1st six months	% Chg.	
	Airport	1999	2000	2001	2002	2003	2004	2005	99-05	2005	2006	2005-06
Commercial Service Airports		1,195,070	1,260,001	1,260,580	1,307,410	1,314,399	1,397,815	1,487,226	24.50%	678,992	650,282	-4.20%
	Billings	339,855	359,524	354,054	382,550	369,473	392,091	398,037	17.10%	182,616	182,446	-0.10%
	Bozeman	221,997	242,650	256,134	274,499	281,502	308,985	335,679	51.20%	157,107	150,298	-4.30%
	Butte	49,133	48,821	44,287	42,214	37,996	40,319	41,853	-14.80%	20,165	16,689	-17.20%
	Great Falls	136,066	141,833	130,543	129,487	125,160	133,246	160,878	18.20%	73,010	66,313	-9.20%
	Helena	79,862	76,473	77,742	77,173	76,200	84,303	93,218	16.70%	44,256	41,467	-6.30%
	Kalispell	146,770	157,962	154,780	161,285	167,540	178,334	190,964	30.10%	82,074	70,937	-13.60%
	Missoula	221,387	232,738	243,040	240,202	253,761	260,039	266,597	20.40%	119,764	122,132	2.00%
EAS Airports		15,789	15,106	14,524	14,316	12,469	13,397	15,863	0.50%	6,186	5,328	-13.90%
	Glasgow	1,989	2,009	2,236	2,227	1,972	1,753	1,774	-10.80%	849	662	-22.00%
	Glendive	1,139	1,111	938	965	970	898	934	-18.00%	449	464	3.30%
	Havre	1,378	1,237	1,140	1,124	1,097	1,147	1,526	10.70%	749	658	-12.20%
	Lewistown	1,052	1,016	735	862	744	758	748	-28.90%	397	296	-25.40%
	Miles City	1,478	1,404	956	1,219	1,076	1,085	1,175	-20.50%	608	469	-22.90%
	Sidney	2,457	2,789	2,609	2,556	1,880	2,344	3,401	38.40%	1,558	1,358	-12.80%
	West Yellowstone	4,816	3,838	4,044	3,886	3,250	3,985	4,366	-9.30%	676	574	-15.10%
	Wolf Point	1,480	1,702	1,866	1,477	1,480	1,427	1,939	31.00%	900	847	-5.90%
Total - All Airports		1,210,859	1,275,107	1,275,104	1,321,726	1,326,868	1,411,212	1,503,089	24.10%	685,178	655,610	-4.30%

Montana Enplanement Trends



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Domestic O&D			Average		
Rank	State	Passengers	Rank	State	One-Way Fare
1	California	61,925,630	1	Maryland	\$113.63
2	Florida	49,125,410	2	New Hampshire	\$114.75
3	Texas	32,989,440	3	Rhode Island	\$115.76
36	New Hampshire	2,113,950	42	West Virginia	\$163.46
37	Arkansas	1,803,060	43	New Jersey	\$166.91
38	Idaho	1,736,000	44	Iowa	\$167.49
39	Montana	1,423,850	45	Montana	\$168.14
40	Iowa	1,391,890	46	South Dakota	\$181.88
41	Mississippi	1,142,440	47	Wyoming	\$186.47
42	Maine	979,380	48	North Dakota	\$188.47
U.S. Total		439,396,110	U.S. Average		\$144.33

Source: USDOT, O&D Survey, reconciled to Schedules T-100 and 298C T-1.

State Rankings

- ✈ EAS – Essential Air Service
- ✈ SCASDP – Small Community Air Service Development Program
- ✈ TSA – Transportation Security Administration
- ✈ FAR Part 139 – certification of airports

- ✈ Limited local population base
- ✈ Limited number of carriers available to serve the markets
- ✈ Distance to airline hubbing operations
- ✈ Passenger perceptions of high airfares
- ✈ State of airline industry

✕ Billings

- Additional (3 total) daily nonstop flight to Minneapolis operated by Northwest Airlink on CRJ aircraft
- Expand scheduled service to Chicago on United
- Additional flights to Las Vegas on Allegiant Air
- Additional flights to Denver on Frontier Jet Express

✕ Bozeman

- Additional nonstop CRJ flights to Minneapolis on Northwest Airlink
- Monitor the ridership of seasonal Atlanta-Bozeman service to try to add several weekly flights on more than a seasonal basis

✈ Butte

- Upgrade current one-stop service to Seattle on Horizon Air to nonstop service

✈ Great Falls

- Supplement existing service to Minneapolis with additional CRJ service
- Upgrade current one-stop service to Seattle on Horizon Air to nonstop service
- One additional nonstop flight to Denver on United Express

✈ Helena

- Additional nonstop CRJ flights to Minneapolis on Northwest Airlink

✈ Kalispell

- Upgrade current one-stop service to Minneapolis to nonstop service
- Additional nonstop service to Seattle (upgrade one-stop service)
- Work with US Airways to see what can be done to establish year-round daily service to Phoenix

✈ Missoula

- Additional flights to Las Vegas on Allegiant Air
- Supplement existing service to Minneapolis with CRJ
- Expand weekend only service to Chicago on United Express

- ✈ Low Fare Carrier Potential – Frontier (Bozeman, Kalispell, Missoula, Helena); Other monitoring of JetBlue, AirTran, Southwest and Virgin America
- ✈ Canadian demand for air travel is limited; top destinations are Vancouver, Toronto, and Montreal but in limited numbers
- ✈ Economic impact of commercial airline service:
 - ✈ 22,700 full-time jobs
 - ✈ \$570 million in payroll
 - ✈ \$1.2 billion in output

Additional Analysis

- ✕ Continue to support EAS and the Governor's Essential Air Service Task Force.
- ✕ Develop a statewide air service committee.
- ✕ Create a policy statement.
- ✕ Fund a state air service development program.
- ✕ Work with state universities.
- ✕ Coordinate with other state agencies.
- ✕ Create State Air Service Development Program.
- ✕ Create state fund to match federal SCASDP grants.
- ✕ Develop state subsidies or revenue guarantees to airlines.
- ✕ Develop statewide marketing campaign.
- ✕ Fund marketing support to airports.
- ✕ Conduct additional airport studies/surveys.

State Marketing Strategy

- ✕ Fund marketing support to airports.
- ✕ Establish local catalyst and air service task force.
- ✕ Identify and monitor target audience and build consensus.
- ✕ Work with incumbent carriers.
- ✕ Implement marketing and community education.
- ✕ Hire an air service development coordinator.
- ✕ Conduct airline marketing.
- ✕ Fund revenue guarantees/subsidies.
- ✕ Provide free ground handling, terminal/counter space, gate leases, landing fees, etc.
- ✕ Develop program to advertise to passengers.
- ✕ Develop passenger rebates to use local airport.
- ✕ Coordinate Frequent Flier bonus miles program.

Local Marketing Strategy

- ✈ Air Passengers
- ✈ Aircraft Operations
- ✈ Destinations Served
- ✈ Average Fares
- ✈ Airline Yields
- ✈ Air Cargo
- ✈ Industry Trend Watch
- ✈ Socioeconomic Trends

State Tracking & Monitoring